

Senate Budget & Fiscal Review

Senator Wesley Chesbro, Chair



Subcommittee No. 3
on
Health, Human Services, Labor, and Veterans Affairs

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Thursday, April 10, 2003
Upon Conclusion of Senate Floor Session
Room 4203

AGENDA - Part I

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4140 Office of Statewide Health Planning and Development

The Office of Statewide Health Planning and Development (OSHPD) develops plans, policies and programs to assist health care delivery systems in meeting the needs of Californians. OSHPD has four major program areas: (1) healthcare cost and quality analysis; (2) healthcare workforce development; (3) facility/hospital development, including Cal-Mortgage Loan Insurance; (4) health care information.

The OSHPD receives modest General Fund support. Special funds and fee revenues principally support the Office's activities. The budget proposes to reduce OSHPD's funding by \$2.3 million, the equivalent of a 4.1 percent reduction. It essentially eliminates the General Fund contribution to the Office.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	\$ Change	% Change
General Fund	\$4,725	\$0	-\$4,725	-100.0
Federal Trust Fund	1,499	1,285	-\$214	-14.2
Special Funds	44,607	48,724	4117	9.2
Reimbursements	4,577	3,118	-1,459	-31.8
Total	\$55,408	\$53,127	-\$2,281	-4.1

ITEMS FOR DISCUSSION:

1. Family Physician Training Program

Background: The Song-Brown Family Physician Training Program seeks to increase the number of general practice health care providers by providing clinical training opportunities to physician residents, physician assistants and family nurse practitioners. Song Brown currently funds 40 institutions that provide clinical training to approximately 403 family practice providers each year.

In 2001-2002 Song Brown providers served approximately 350,000 patients from underserved areas of the state. These providers are a valuable source of health care services in rural California and low-income communities across the state. Song-Brown providers deliver primary care services in the majority of California's teaching hospitals, community health centers, and county facilities. They are 4.5 times more likely than the average physician to practice medicine in underserved areas of the state and generally choose to work in the community where they are trained.

The Song Brown Family Physician Training Program has traditionally been funded by the General Fund.

Governor's Budget: The budget eliminates General Fund support for the program for savings of \$4.5 million **and offsets this reduction with revenue from a new surcharge** imposed on specific health care provider licenses. The Administration proposes legislation to establish a new surcharge equal to 12% of the existing initial or renewal fees required from licensed physicians, surgeons, podiatrists, osteopaths and registered nurses.

A recent Department of Finance Letter retracts the new surcharge proposal and requests that the Legislature amend the proposed budget to provide General Fund support for the program. The Department states that recent legal analysis of the proposal concludes that the proposed surcharge constitutes a tax.

Subcommittee request and questions: The Subcommittee has requested that the Office of Statewide Health Planning and Development answer the following questions:

1. Briefly describe the Family Physician Training Program services and outcomes.
2. Discuss the recent legal analysis of the proposed surcharge.
3. Has the Administration considered other fee proposals to generate non-General Fund support for the program? For example, has the Administration considered raising licensee fees and requiring that the licensing entities dedicate the new revenues support Song Brown activities.

Budget issue: Does the Subcommittee wish to amend the proposed budget to provide \$4.5 million General Fund for the Family Physician Training Program?

2. Health Professions Career Opportunity Program

Background: The Health Professions Career Opportunity Program (HPCOP) seeks to increase the number of health professionals who work in underserved communities. It provides recruitment and mentoring services to undergraduate students from underrepresented minorities and disadvantaged backgrounds to encourage their participation in the health care arena.

The 2002-2003 Budget included \$87,000 in reductions. It eliminated support for "Health Pathways" a publication for high school students and graduates, counselors and healthcare career recruiters. It also reduced from 14 to 8 the number of grants provided to academic institutions for training individuals for a career in health care.

Governor's Budget: The budget proposes to eliminate the HPCOP program for savings of \$142,000 in the budget year. It also proposes implementing legislation to eliminate statutory references to the program.

Subcommittee request and questions: The Subcommittee has requested that the Office of Statewide Health Planning and Development answer the following questions:

1. Briefly describe the HPCOP program services and outcomes.
2. Discuss any other state resources or activities dedicated to increasing the participation of underrepresented minorities in health care.
3. Discuss the potential impact of the proposed elimination on the availability of health care providers in underserved areas and the participation of underrepresented minorities in the health care arena.

Budget issue: Does the Subcommittee wish to adopt the proposed reduction and statutory elimination of the program?

3. Status of Rural Health Care

Background: The confluence of events affecting health care access in rural areas, including reductions in health care funding, HMO pullouts and provider shortages, prompted the Legislature to require OSHPD and the Rural Health Policy Council to examine the financial health and programmatic stability of rural hospitals and health systems. The Budget Act of 2002 required that OSHPD, in conjunction with the Rural Health Policy Council's preparation of its annual report to the Legislature, provide to the Legislature the following information:

1. The financial health of rural hospitals and health systems.
2. The role that the Capital Outlay for Rural Health Systems, the Small Grants to Rural Health Systems for uncompensated health care, and the Rural Health Demonstration Projects have played in past years to assure adequate access to health care services in rural areas.
3. Special challenges faced by rural hospitals and health systems due to seismic requirements, Health Insurance Portability Act requirements, changing federal and insurance market practices, and other issues.
4. Possible assistance that might improve the fiscal and programmatic stability of rural hospitals and health systems.

The report was due to the Legislature in February 2003. It will be delayed as it is still in the Administration's review and approval process.

Subcommittee request and questions: The Subcommittee has requested that the Office of Statewide Health Planning and Development answer the following questions:

1. Briefly provide an update on the status of the required report.
 2. Discuss the report's findings and the impact of additional health care budget reductions on the status of rural health care.
 3. Discuss some of the assistance that may improve fiscal and programmatic stability.
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4. Emergency Department and Ambulatory Surgery Center Outpatient Data

Background: Senate Bill 1973, Chapter 735 of the Statutes of 1998 **required that OSHPD implement a new program and automated system to collect and disseminate data on patients discharged from certain health care facilities by 2001.** Assembly Bill 3050, Chapter 351, Statutes of 2002, **extended the deadline to collect and disseminate outpatient data from all of California's emergency departments and ambulatory surgery centers to 2004.** When the new outpatient reporting system is developed and implemented OSHPD will collect 11.3 million additional records. The system and expanded data collection is intended to improve California's ability to make informed health care policy decisions.

Governor's Budget: The budget **proposes an increase of \$450,000 to support the required data collection. Existing health care facility fee revenues will fund the proposed increase.** The funding will support facility compliance and outreach, regulation formation, fee collection processes, and the development of outpatient data products.

Budget issue: Does the Subcommittee wish to approve the proposed increase?

5. Bateson Building Security Contract

Background: The OSHPD, Department of Mental Health, Department of Developmental Services and the Health and Human Services Agency occupy the same building and rotate responsibility for serving as custodian of the building's security contract. OSHPD will assume responsibility for entering the contract for the next three years.

A recent Department of Finance letter requests that the Legislature amend the budget bill to increase OSHPD's spending authority by \$225,000 to finance the security contract.

Budget issue: Does the Subcommittee wish to approve the requested increase in expenditure authority?

5175 Department of Child Support Services

The Department of Child Support Services (DCSS), established as of January 1, 2000, administers the child support enforcement program operated by local child support agencies. The Department provides state direction to assure that child support amounts are established, collected, and distributed to families, including securing child and spousal support, medical support, and determining paternity. The Department continues to have responsibility for addressing federal fiscal sanctions related to California's failure to develop a single statewide automation system. The department oversees local program and fiscal operations, administers the federal Title IV-D state plan for securing child support, and establishes performance standards for California's child support program.

Since its inception the department successfully transitioned all local child support programs out of district attorneys offices into stand alone departments 6 months ahead of schedule, converted all local programs onto federally approved interim automation systems, developed regulations and adopted initiatives aimed at statewide uniformity in the collection of child support and improved customer service. **The department has also increased collections from \$1.85 to \$2.26 billion.**

The budget anticipates collections of \$2.34 billion in the budget year. The department's overall budget decreases by \$17.8 million (1.5 percent). General fund contributions to the department increase by \$5.15 million.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	\$ Change	% Change
General Funds	\$465,023	\$470,172	\$5,149	1.1
Federal Funds	406,484	388,597	-\$17,887	-4.4
Reimbursements	443	443		
Child Support Collection	310,243	305,148	-\$5,095	-1.6
Recovery Fund				
Total	\$1,182,193	\$1,164,360	-\$17,833	-1.5

1. Program performance

Background: In 1999, the Legislature enacted and the Governor signed Senate Bill 542 (Burton) and Assembly Bill 196 (Kuehl) to significantly reform California's child support system. The measures sought to improve system accountability to children and their custodial and non-custodial parents, increase enforcement of child support and medical support orders, increase collections and assure statewide uniformity in the operation of child support programs. **The legislation established the State Department of Child Support Services to administer and perform necessary functions to establish, collect and distribute child support.** The measures also mandated the establishment of local child support agencies and required the state department to develop uniform policies and procedures to govern local child support programs.

Since its establishment in 2000, the department has worked to develop and improve California's child support infrastructure, ensure statewide uniformity in the child support program and improve program performance. Specifically, the department has:

- Transitioned local child support programs from local district attorneys offices to independent local child support agencies, accomplishing this goal by July 1, 2002, six months prior to the Legislative deadline.
- Developed and adopted uniform policies, procedures and regulations to govern local child support programs, including regulations on establishment and enforcement of support orders, financial administration and complaint resolution.
- Converted local automation systems into one of six federally approved systems.
- Worked to develop the federally required statewide child support automation system.
- Developed and begun implementation of a Quality Assurance and Performance Improvement Program.

California has generally improved its performance on all federal outcome standards, although performance continues to vary significantly among counties. The federal standards consider paternity establishment, establishment of child support orders, collections on current orders, past-due collections and cost-effectiveness. In the 2002 Federal Fiscal year, **California met the performance thresholds or minimum performance standards for all federal performance measures except for cost effectiveness.** Failure to meet the cost effectiveness standard was due to a reporting error in Federal Fiscal Year 2000.

California performed significantly above the national average on the establishment of paternity and percent of cases with a child support order. California's performance is about the national average on collection arrears and the state's performance on cost-effectiveness and on current collections is significantly below the national average. California's current collections in the 2001 Federal Fiscal Year was 41 percent compared to the national average of 56 percent. Similarly California collected \$2.60 per each dollar expended on collection efforts compared to the national average of \$4.18. Preliminary data for the 2003 Federal Fiscal Year reflects an increase in current collections to 43.8 percent in the first quarter. The budget assumes a ratio of \$2.44 in collections for each dollar spent on collection activities.

California's collections in the budget year are estimated to exceed \$2.3 billion.

Subcommittee request and questions: The Subcommittee has requested that the Department of Child Support Services respond to the following questions:

1. Briefly discuss program performance on the federal and state outcome measures.
 2. Discuss county variances in program performance and the state's efforts to assure statewide uniformity in program implementation.
 3. Discuss the state's efforts to improve program performance.
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2. Enforcement of Medical Support Orders

Background: Federal and state laws **require the establishment of medical support orders** as a component of child support orders in all child support cases. **Medical support orders essentially obligate the non-custodial parent to contribute to a child's health care costs generally by enrolling the child in the non-custodial parent's health insurance plan** if such coverage is available to the parent. According to the Department of Child Support Services, county workers routinely obtain medical support orders as a component of child support orders.

DCSS considers the establishment and enforcement of medical support orders as a core activity performed by counties when processing child support cases. **DCSS reports that California ranks 3rd among the ten largest states in obtaining medical support orders and has the highest percentage of cases where health insurance is actually obtained.**

Senator Jackie Speier, as chair of the Select Committee on Government Oversight, has identified a mechanism that may increase enforcement of child support orders and result in considerable Medi-Cal and Healthy Families program savings. Specifically, Senator Speier reports that Texas and Massachusetts have supplemented their efforts to enforce medical support orders which has generated tens of millions in savings due to increased enrollment of children in their non-custodial parent's health insurance and lower utilization of public health insurance programs.

Massachusetts and Texas use ACS, a national collection company, to match files of Medicaid recipients, children in the child support enforcement system, non-custodial parents, and medical insurance policies. ACS asserts that they perform these functions with no up-front state investment. They collect a contractually established fee when the child is enrolled in the private health insurance plan.

ACS estimates that California may generate savings of \$110 million (\$55 million General Fund) by utilizing the company's services. ACS argues that by using its services California will successfully enroll tens of thousands of children currently served by public programs in to private health insurance programs. It will also provide the DCSS relevant data to modify support orders in cases with no provisions for medical support, and report to DCSS employer data found in health insurance policy files.

The Department of Child Support Services, the Department of Health Services (DHS) and the Department of Finance have examined the ACS proposal and concluded that it underestimates the initial costs associated with utilizing ACS' services and substantially overstates the potential savings of the proposal. The Administration's review concluded that the state already aggressively enforces medical support orders and that the DHS matches Medi-Cal enrollment with private insurance files to assure the state is the payer of last resort. As a result many (up to one half) of the matches ACS projects may involve parents whose health insurance has been considered

and determined not to be enforceable due to limitations of the employer's health care coverage, or limitations on the amount of support that can be collected from obligors. The Administration also points out that ACS overestimates the Medi-Cal cost per child. Lastly, the Administration states that Medi-Cal savings would be offset by needed enhancements to local child support agency automation systems and increased local agency staff costs estimated to exceed 1 to 5 million dollars.

Governor's Budget: The budget assumes savings of \$3.7 million General Fund due to the suspension of county incentives for transitioning children into private health insurance programs. The budget also assumes savings from DHS matches of Medi-Cal enrollment with private insurance files and the resulting reimbursements.

Subcommittee concern and questions: The Subcommittee has requested that the Department of Child Support Services answer the following questions:

1. Discuss California's activities to enforce medical support orders, the number of orders enforced on an annual basis and the level of savings assumed as a result of these activities.
2. Are additional savings to be realized from increased enforcement of medical support orders through mechanisms such as those identified by Senator Speier's Committee?
3. Discuss the programmatic and fiscal impact of increasing enforcement of child support orders through contract services or other mechanisms.

Budget issue: Does the Subcommittee wish to require the department to utilize contract services or other mechanisms to enforce medical support orders?

3. Local Child Support Administration – Issues “A”, “B” and “C”

Overall Background: Local child support agencies are responsible for the administration of child support programs at the county level and perform functions necessary to establish and collect child support. Their program activities include establishing child support cases, establishing child support orders, collecting current and past-due child support, and enforcing medical support orders.

Local agencies are also required to implement customer service initiatives developed by the DCSS in response to system reform legislation that sought to increase system responsiveness to custodial and non-custodial parents and improve program performance. Among the initiatives developed by the DCSS and implemented by counties since 2000 are (1) an ombudsperson program, (2) informal inquiry and response timeframes, (3) a complaint resolution and state hearing process, (4) training, (5) a statewide outreach program, and (6) quality assurance and program improvements.

California provides baseline compensation to counties at a level comparable to 13.6% of the estimated level of collections adjusted to reflect county expenditures and available General Fund resources. This compensation is supported by General

Fund dollars and federal incentive funds. It constitutes the state's contribution for child support administration and is subject to a federal match of 2 to 1.

The Department of Child Support Services generally bases specific county baseline allocations on historic county spending, as such baseline allocations vary across the state. This baseline county funding supports core child support activities including the establishment of paternity, current and past due collections and program performance improvements. It also provides additional resources to support statewide initiatives designed to improve customer service and program performance.

The Department of Child Support Services allocates resources for administration of local child support programs in a lump sum and does not control county expenditures for program activities and for child support initiatives. County compensation is not based on an analysis of actual expenditures, estimated staff time to meet program requirements, or costs of the different child support activities. This budgeting methodology makes it difficult for the Legislature to track expenditures per program activity.

Overall Governor's Budget: The budget provides \$825 million total funds for local child support administration. These funds are comprised of \$598 million in federal funds, \$227.1 million in state general funds, and \$53.6 million in federal incentive funds.

Issue "A" – Proposed Reduction of Local Agency Assistance

Governor's Budget: The budget reduces by \$108.8 million (\$37 million General Fund) funding for local child support agencies. The proposed budget maintains counties at their 2001-02 actual expenditure levels and reduces the total allocation for local agency assistance by an additional \$40 million.

During the first two years of the DCSS' operation, counties expended significantly less than their budget appropriation. As a result, the department augmented investments in initiatives designed to improve program performance and reverted back to the General Fund a significant amount of funds allocated to counties. It reverted to the General Fund \$30.5 million in 2000-01 and \$20.9 million in 2001-02.

Some county programs write in opposition to the proposed reduction and argue it will result in county layoffs and decreased collection efforts. **The department states that it will work with counties to target funding reductions to areas that will cause the least disruption to child support collections, establishment of paternity and improving program performance.**

Subcommittee request and concerns: The Subcommittee has requested that the Department of Child Support Services answer the following questions:

1. Discuss the impact of the proposed reduction on collection of child support and performance on the federal child support standards.
2. How will the department assure that reductions are targeted to local spending on initiatives and not disrupt critical child support functions?

Budget issue: Does the Subcommittee wish to approve the proposed funding for local child support agencies?

Issue “B” - Suspends Local Agency Performance Incentives

Background: Current law provides for incentives to be paid to local child support agencies to fund child support-related activities. The payment is an additional five percent of the state’s share of the local agency’s collections, to be paid to local agencies with the ten highest rankings of the federal performance measures.

During the past two fiscal years California has suspended operation of the new performance incentive program which saved \$2 million General Fund.

Governor’s Budget: The budget proposes to suspend the Improved Performance Incentives for the next three fiscal years for savings of \$3 million General Fund. This proposal would suspend the incentives until the 2006-07 fiscal year.

Subcommittee request and questions: The Subcommittee has requested the Department of Child Support Services to answer the following questions:

1. Briefly describe the role of the Improved Performance Incentives.
2. What is the relationship between the state and federal focus on program outcomes and the state’s county reimbursement structure?
3. How might the suspension of incentives affect program performance?

Budget issue: Does the Subcommittee wish to approve the proposed suspension of Local Agency Performance Incentives?

Issue “C” - Local Agency Assistance Funding Methodology and Budgeting Display

Background: California provides baseline compensation to counties at a level comparable to 13.6% of the estimated level of collections adjusted to reflect county expenditures and available General Fund resources. This baseline county funding supports core child support activities including the establishment of paternity, current and past due collections and program performance improvements. It also provides additional resources to support statewide initiatives designed to improve customer service and program performance.

The Department of Child Support Services allocates resources for administration of local child support programs in a lump sum and does not control county expenditures for program activities and for child support initiatives.

Baseline county funding for the implementation of local child support programs is established according to a statutory incentive formula based on child support collections. It is not based on an analysis of actual expenditures, estimated staff time to meet program requirements, or costs of the different child support activities. Individual county allocations are generally based on historic county expenditures and vary across the state.

The budget display reflects the department's funding methodology. It does not identify the state's specific investment in core child support services and in additional initiatives designed to improve program performance.

The local agency assistance funding methodology and budgeting display makes it difficult for the Legislature to determine the actual costs of operating an effective child support program, track expenditures by program activity, and assure the program's cost effectiveness.

The Legislative Analyst's review of the department's budget concludes that the existing budgeting display provides insufficient information to determine which aspects of the program, including the various initiatives, are being augmented or reduced. Further, the Analyst writes that the impact of any budget change to the program cannot be measured because there is no established cost for the core program. The Analyst argues that without separate tracking of expenditures it becomes impossible for the Legislature to determine (1) the cost of the initiatives and (2) the degree to which counties are implementing the recommended initiative programs.

The Analyst recommends that the Legislature direct DCSS to (1) revise its budget display to separate the funding for basic administration and initiatives; and (2) base the core administrative budget on actual county expenditures, estimated workload changes, and any cost of doing business increases. The Analyst also developed, as a legislative budget option, a reduction of \$24.6 million to local child support department compensation for further curtailment of the child support initiatives in the budget year.

Subcommittee request and questions: The Subcommittee has requested that the Legislative Analyst discuss her analysis and her recommendation.

The Subcommittee has also requested the Department of Child Support Services to answer the following questions:

1. Discuss your existing funding methodology and budgeting display.
2. How does the department determine the level of funding necessary to support an effective child support program?
3. How does the department monitor county expenditure of program funds?
4. How does the department assure that funds are expended for essential program functions first and that the intended level of funding is used for the implementation of initiatives?
5. How does the department assure program cost effectiveness?

Budget issue: Does the Subcommittee wish to require the department to revise its budget display? Does the Subcommittee wish to otherwise modify the department's funding methodology and proposed funding level?

4. Alternative federal penalty

Background: Federal law required that each state develop and implement a single statewide automated child support system by October 1, 1997. California engaged in a contract to do so from 1992-1997. The effort failed, the state terminated the contract in November 1997.

As a result of the state's failure to implement a statewide automated child support system, California has been subject to significant federal penalties since 1997. The penalties are based on a percentage of administrative expenditures of federal funds on state child support collection activities. California is now penalized at the maximum percentage of 30%. California will pay \$188.2 million in the current year in federal penalties. The budget assumes that the state will pay \$207.1 million in penalties in the budget year. The state's penalties have increased each year, and the new investments to create a new system have been penalized at the rate of 30 cents on the federal dollar.

The federal penalties have been back-filled with state General Fund dollars rather than passed through to the local child support agencies that operate the program.

Last year, Congressman Matsui authored legislation to reconstruct the federal penalty formula. The legislation would have changed the formula to determine the federal penalty to consider the 1997 Federal Fiscal Year state program expenditures and to allow states to reinvest the penalties back into their child support programs and automation efforts. The legislation was supported by the National Conference of State Legislatures, the National Governors Association and had 34 co-sponsors. Unfortunately for California, the measure was not heard. California continues to seek reform but is not optimistic that the federal penalty system will be modified.

California has focused on and created a new plan for statewide automation, including development of the California Child Support Automation System (CCSAS) project by DCSS and FTB. The CCSAS Project consists of the procurement of two major systems: the Child Support Enforcement (CSE) and the State Disbursement Unit (SDU). The department has completed the development of the CSE's business requirements, the procurement process, contract negotiations, and feasibility study. DCSS is hopeful it will receive federal and state approval for the CSE. The current schedule anticipates a contract award by July 1st for development of the new system. **The negotiated contract price for development of the new system amounts to \$900 million payable over eight and a half years. The estimated costs for development of the new system in the budget year is estimated at \$50.5 million General Fund.**

The negotiated contract for the development of CSE contains the following key features:

- Establishes shared risk partnership with California and IBM for the development and implementation of a single statewide child support system.
- Reflects a performance-based compensation approach, which makes payment contingent on the achievement of specific outcomes including certification of the system by the federal government, increased worker effectiveness, improved customer service, system maintainability and implementation.
- Establishes two stages for development of the system working to meet federal standards for certification necessary by September of 2006. In the first stage the contractor will develop a statewide database that will link together the ARS and CASES consortia to provide statewide functionality. In the second stage the contractor will further develop the system to include case management and financial accounting functions to establish the full statewide system.

The DCSS and FTB have completed the following activities for the SDU procurement: completion of service requirement definitions, development of the request for proposals; and identification of potential business partners. They plan to procure this project in time to assure completion by September 2006.

Subcommittee request and questions

1. Briefly describe the history of the penalties and the status of California's alternative federal penalty
 2. Describe the proposed new system, its design and structure.
 3. Discuss the negotiated contract structure, including compensation requirements
 4. Discuss the project's timeline for meeting federal requirements.
 5. Discuss the status of the federal and state review and approval process.
 6. What is the estimated fiscal impact in the budget year of the development of the new automation system?
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Budget issue: Does the Subcommittee wish to approve the proposed payment of the alternative federal penalty?

5. County share of cost for alternative federal penalty

Background: Since 1997, California has been subject to substantial federal penalties due to the state's failure to establish a single statewide system for the collection of child support by the federal deadline. **Current law provides for payment of the penalty through a reduction in the federal funds for state and county administration of the child support program.** Since 1997, California has waived the mechanism for paying the penalty with state and county child support program funds. The state has appropriated General Fund dollars to pay for the penalty and has continued to fully fund program administration. Last year, the Governor proposed a 50 percent county share of cost of the alternative federal penalty payable with county general funds.

Governor's Budget: The budget **proposes a 25 percent county share of the alternative federal penalty and assumes a \$51.8 million contribution from counties for payment of the penalty.**

Counties strongly oppose this proposal and argue that it will adversely affect the ability of counties to pay for other costs such as the provision of child welfare services. They state that the penalty is based on the state's failure to establish a single statewide system for the collection of child support and that state automation is outside county control. Counties assert that state law already provides a mechanism for paying the penalty with program administration funds and that a 25 percent share of cost would constitute a significant hardship to counties.

Subcommittee request and questions: The Subcommittee has requested that the Department of Child Support Services briefly describe the proposal and its rationale.

Budget issue: Does the Subcommittee wish to approve the proposed county share of the alternative federal penalty?

6. State Administrative Hearings

Background: California's child support reform legislation enacted in 1999 included a series of initiatives designed to improve services available to custodial and non-custodial parents and increase system accountability. **One of the enacted reforms required the establishment of a state hearing process to consider specified issues brought forth by custodial and non-custodial parents.** Parents can use the state hearing process if an application for child support services has been denied or not acted upon within the required timeframes, if a case has been acted on in violation of a state or federal law or regulation, if child support collections have not been distributed or have been distributed incorrectly, or if they disagree with an agency's decision to close a case.

The Department of Child Support Services contracts with the Department of Social Services to conduct state hearings. The departments estimate that workload for conducting state hearings will increase. **The Department of Finance has submitted a recent letter requesting that the Legislature augment by \$2 million funding for state administrative child support hearings.**

Subcommittee request and questions: The Subcommittee has requested that the Department of Child Support Services briefly describe the program, the need for the augmentation, the impact of maintaining program funding at the current level and the effect of delaying the required state hearings.

Budget issue: Does the Subcommittee wish to approve the requested augmentation?

7. Federal fund authority for Franchise Tax Board Child Support Collections

Background: Since 1993, the Franchise Tax Board has been responsible for the collection of child support delinquencies. FTB developed the Consolidated Debt Collection System to accomplish this task. Over time, legislation mandated additional and different collection types of activities to also use this collection system. In 2002, the FTB developed the Child Support Replacement Project to move the existing child support functionality to a new platform with increased capacity.

A recent Department of Finance letter requests that the Legislature provide a \$2.87 million augmentation of federal funds to fully support FTB's collection efforts and the recent Child Support Replacement Project.

Budget issue: Does the Subcommittee wish to approve the requested federal fund augmentation?

8. Transfer of Child Support Program Component

Background: The California Parent Locator Service (CPLS) and the California Central Registry (CCR) are two important resources local child support agencies use to find child support obligors. The Department of Justice currently administers these programs.

Governor's Budget: The budget transfers responsibility for administering the California Parent Locator Service and the California Central Registry from the Department of Justice to the Department of Child Support Services. The budget increases DCSS' spending authority by \$1.3 million and decreases DOJ's funding authority by the same amount to effectuate this transfer.

Budget issue: Does the Subcommittee wish to approve the proposed transfer and funding shift for administration of the CPLS and the CCR from DOJ to DCSS?
